

## **The Clean Power Act of 2003**

**Purpose** - The purpose of the legislation is to reduce electric power plant emissions of sulfur dioxides, nitrogen oxides, mercury and carbon dioxide, which cause some of the nation's most serious public health and environmental problems.

**Emission Caps** - This legislation builds on the success of the cap and trade system created in the Clean Air Act Amendments of 1990, which reduced emissions of the acid rain-causing pollutant sulfur dioxide by almost 10 million tons from 1980 levels. The Clean Power Act applies that system to further cost-effectively reduce sulfur dioxides, nitrogen oxides, and carbon dioxide. Electric generating facilities (EGFs) larger than 15 MW must reduce as follows by 2009:

Sulfur dioxide reduced by 81% from 2000 levels - 2.25 million ton cap (Eastern 1.975m/Western .275m)

Nitrogen oxides reduced by 71% from 2000 levels - 1.51 million ton cap

Carbon dioxide reduced by 21% from 2000 levels - 2.05 billion ton cap

**Mercury** - Emission limitations are imposed on EGFs that would result in a 90% reduction by 2008, consistent with the existing consent decree schedule, down to a 5 ton cap. Provides some flexibility in meeting limitations by allowing averaging of emissions between units at a single facility. EPA must regulate other Hazardous Air Pollutants from utilities on the same schedule.

**Modernization** - Every outdated power plant would have to apply the best available pollution control technology by its 40<sup>th</sup> birthday or 2014, whichever is later.

**Allocation** - Tradable allowances or the fair market value of the allowances representing the three pollutants (NO<sub>x</sub>, SO<sub>x</sub>, CO<sub>2</sub>), are distributed in five main categories: 63% or more to households; 6% and declining over time for transition assistance to affected communities and industries; up to 20% to renewable energy generation, efficiency projects and cleaner energy sources, based on avoided pollution; 10% to existing EGFs based on 2000 output; and, up to 1.5075% of the carbon dioxide allowances for biological and geological carbon sequestration. EPA would be responsible for appointing trustees that would obtain the maximum value of allowances for distribution to the public.

**Carbon Dioxide** - Intersector trading of pollution allowances is not permitted. If another industrial sector adopts an emission control program that limits total carbon dioxide emissions, then carbon dioxide allowance trading between EGFs and that sector may occur.

**Local Air Quality Protection** - The legislation does not abolish or weaken any existing local or regional air quality protection authorities that serve as a backup for states to take actions necessary to achieve and maintain air quality standards. In addition, the EPA is directed to reduce emissions further if sensitive ecosystems are threatened by air pollution or the trading system does not adequately protect local or regional air quality.